

Overview and Scrutiny Committee – Monday 29 January 2018**Agenda Item 6.1 Refers****Revenue Budget 2018/19 – Update**

1. Since Cabinet considered the draft 2018/19 Revenue Budget on the 18 December 2017, there have been announcements from the Government regarding a number of funding streams for the Council. This note updates Members of the impact of these announcements and a revised budget summary is shown at Appendix A.

The Future of the Local Government Finance System

2. The Government recognises the need to provide future certainty beyond the existing 4-year funding deal, and to meet its manifesto commitment to give councils more control of the taxes they raise locally. Central to this is increasing the proportion of locally collected business rates that councils will retain.
3. It is the Government's future intention that the following grants to be funded through retained business rates: Revenue Support Grant and Rural Services Delivery Grant. The Government will implement this increase in business rates retention in 2020-21. Allowing local authorities to keep business rates to the value of these grants would represent business rates retention across the local government system of at least 75% (based on the value of these grants in 2019-20).
4. The Ministry of Housing, Communities and Local Government (MHCLG) has issued a consultation on the fair funding review of relative needs and resources, in collaboration with the Local Government Association and representatives from across local government. This consultation closes on the 12 March 2018. This review will calculate new baseline funding levels based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment, alongside the resetting of business rates baselines, subject to suitable transitional measures.
5. Officers are currently considering the implications of the proposals contained in the consultation for consideration by Cabinet at their meeting on 12 February 2018.

Revenue Support Grant

6. On the 19 December 2017, the Government confirmed the Council's Revenue Support Grant settlement for 2018/19. The total grant will be £72,506. This is consistent with the 4-year settlement deal announced by the Government in December 2015.

New Homes Bonus Grant

7. The Government has also announced the provisional amounts of New Homes Bonus Grant to be awarded to each council. For Rother, the amount of

additional grant will be £11,938 and is payable over four years. This brings the total grant payable for 2018/19 as £714,306.

Council Tax Increase

8. The Government has decided to update the core referendum principles in line with inflation (at 3%) for all authorities. Shire district councils will be allowed increases of less than 3%, or up to and including £5, whichever is higher in 2018-19 and 2019-20. The draft Revenue Budget assumes an increase of £5 (2.95% increase over 2017/18) for a Band D property to £174.32 and is expected to increase income by £186,300 based on the 2018/19 taxbase. A 2.99% increase would mean Council Tax of £174.38 and extra income of £2,364.

Business Rates

9. The Government confirmed the Business Rate Retention baseline for the Council for 2018/19 at £2,284,959. This is used by the Government in determining the safety net for the Council i.e. the minimum income the Council can retain from business rates before the Government will provide additional funding. For Rother, the safety net will be £2,216,410 for 2018/19. The estimated retention of business rates included in the draft Revenue Budget is £3,116,000 including compensatory grants in relation to additional reliefs previously granted by the Government. This compares to £2,977,000 in the report to Cabinet on 18 December. The reason for the increase is because of changes put forward in the technical consultation document, issued on 20 December which was issued with the NNDR1 return. The reason for the change is due to the 2017 rating list having changed the thresholds, so that the previous easy calculation of taking half of the relief paid under compensates councils for the extra cost they incurred through government decisions. However there may be further changes to the net retained business rates before the budget can be finalised.
10. Members will recall that the Council has re-joined the East Sussex Business Rates Pool with the other district and borough councils, county council and fire authority. This means that if there is any retained levy then it will be shared amongst members of the pool instead of being paid over to Central Government. This extra resource has not been built into the base budget and has to be ring-fenced to economic regeneration as set out in the agreement with the MHCLG.

Housing Benefit Administration Grant

11. The draft Revenue Budget contained an estimate of £257,000 for Housing Benefit Administration Grant including funding for the effects of Universal Credit (UC). The total grant has been confirmed at £232,665

Homelessness Grants

12. The draft Revenue Budget contained an estimate of £44,000 for Homelessness New Burdens grant and £177,000 for Flexible Homelessness Support. The total grant has been confirmed as £40,704 for Homelessness New Burdens Grant and £176,852 for Flexible Homelessness Support.

Planning Fees

13. Members will recall from the December Cabinet report that the Government proposed to allow a 20% increase in planning fees subject to an increase in staffing resources in Planning to help improve performance. These additional costs were built into the draft Revenue Budget but not the extra income, as at the time, this had not been confirmed. The Government has now confirmed that planning fees can be increased by 20% and this has been built into the draft Revenue Budget shown at Appendix A. An estimated additional £130,000 is expected to be generated in 2018/19. The changes will come into force on 17 January 2018 so there will be a part year effect in 2017/18.

Other Changes to the Cost of Services

14. There have been a small number of other changes to the draft Revenue Budget including:
- (i) a £25,000 increase in costs due to a payment to Action in Rural Sussex for development of the Sussex Community Housing Hub funded from earmarked reserves;
 - (ii) an additional £14,000 grant to be received towards homelessness;
 - (iii) the transfer of £61,000 for Community Grants to the Capital Programme reflecting that most grants are in the main capital grants; and
 - (iv) a £17,880 reduction in the Local Council Tax Support Grant paid to parishes reflecting the loss of Revenue Support Grant.

Summary

15. The above information and other minor changes identified since December have been consolidated into the 2018/19 draft Revenue Budget, as shown at Appendix A. This shows a balanced Revenue Budget for next financial year.

**Rother District Council
Budget Estimate 2018/19**

	2017/18 Budget £ (000)	2018/19 Budget £ (000)
Community and Economy	4,220	4,101
Corporate and Human Resources	1,129	1,112
Executive Directors and Corporate Core	817	809
Environmental Services and Licensing	546	557
Finance and Welfare	2,718	3,046
ICT and Customer Services	1,856	1,861
Strategy and Planning	898	944
Total Cost of Services	12,184	12,430
Interest from Investments	(235)	(362)
Savings from 2020 exercise:		(290)
Capital Expenditure Charged to Revenue	925	438
Net Cost of Services	12,874	12,216
Parish Precepts	1,573	1,573
Special Expenses	(715)	(715)
Business Rates		
Local Share of Business Rates	(7,125)	(7,141)
Section 31 Grants	(836)	(1,350)
Tariff	4,783	4,917
Levy Payment on Account	392	457
Revenue Support Grant	(450)	(73)
Non-Specific Revenue Grants		
New Homes Bonus Grant	(1,117)	(714)
Rural Services Delivery Grant	(49)	(38)
Transition Grant	(71)	
New Burdens Grant	(3)	
Local Council Tax Support Grant	(108)	(100)
Benefits Administration Grant	(257)	(233)
Homelessness Grant – New Burdens		(41)
Flexible Homeless Support Grant		(203)
Council Tax Requirement (Parishes and Rother)	(7,883)	(8,153)
Other Financing		
Collection Fund (Surplus)/Deficit	(120)	(5)
Contributions to/(from) Earmarked Reserves	(888)	(397)
Contributions to/(from) General Fund Balance	0	0
Total Income	(12,874)	(12,216)

	2017/18 Budget £ (000)	2018/19 Budget £ (000)
Council Tax Requirement	(6,310)	(6,580)
Divided by Council Tax Base (Band D Equivalent)	37,260.97	37,726.98
Council Tax Charge	169.32 6,309,027	174.32 6,576,567
Reserves	2017/18 Budget £ (000)	2018/19 Budget £ (000)
Earmarked Reserves and General Reserves	12,364	11,476
Use of Reserves	(888)	(397)
Total Reserves	11,476	11,079
<u>Analysis of (Use of)/Contribution to reserves</u>		
To fund Capital Expenditure		(438)
Car Park Reserve		(23)
Estates Staffing		
Revenues and Benefits Improvement Plan		
Other Contributions		
To balance the Budget		64
TOTAL	(888)	(397)